

Finance Department
Finance Bureau, City of Kawasaki

City of Kawasaki

Investor Presentation, October 2014



Ikuta Ryokuchi:
Full of natural greenery



Kawasaki Fujiko F. Fujio Museum



Kawasaki Daishi
(Heiken-ji Temple)



A Costal Area adjacent to
Haneda International Airport



Musashi Kosugi District:
A region lined by high-rise
condominiums/apartment buildings



A fantastic
Factory Night Landscape



川崎市



Credit Snapshot

- Located in the middle of the greater Tokyo metropolitan area, convenient access, favorable living environment 【P.4】
 - High population growth rate
 - Largest working-age population among ordinance-designated cities
 - City of business opportunities with global firms, cutting edge R&D organization, enriching manufacturing expertise 【P.5,6】
 - City contributes to international society with environmental technology that helped overcome pollution 【P.7】
 - Maintains favorable financials, backed by stable tax revenue, progress in administrative/fiscal reform 【P.10,11】
 - Kawasaki City bonds redemption well controlled thanks to disciplined fiscal management/bond issuance 【P.13】
 - Ordinance-designated city with much discretion in political/fiscal policies granted since 1972 (number of ordinance-designated cities is 20 at this juncture)
-



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On July 1, 1924 Kawasaki City was founded with a population of 48,000.

Looking back over these past 90 years, it is important to consider what makes Kawasaki such a unique and vibrant city.

While Kawasaki has faced unprecedented hardships, including the Great Kanto Earthquake and WWII, the city overcame destruction and devastation to rebuild and reestablish itself as a leading industrial base enabling Japan to ultimately become a major industrial nation. At the same time, however, such fast-paced economic growth gave rise to serious pollution issues.

In response, the citizens and local government of Kawasaki, bravely rose to meet these new challenges. As a result, Kawasaki today has reemerged to become a global model as a city in harmony with the environment.

The historic challenges this city has faced have honed Kawasaki into a “city of strength” founded on Kawasaki’s “spirit of challenge.” Our city is known for its role in leading Japan into the future by always taking on new challenges, turning difficulties into opportunities and transforming crisis into the means to achieve growth. I believe that is what makes Kawasaki unique---the very genetic code we have inherited from the generations before us.

At this juncture, in celebrating the 90th anniversary of Kawasaki City, I proclaimed a future vision for Kawasaki based on a harmonious balance between “creating a community of stability” to support the lives of Kawasaki citizens and “creating an industrially vibrant city” to achieve sustainable growth.

In aiming to realize this vision, Kawasaki will strive to make a difference in the world as we continue to lead Japan and realize a sustainable society by our commitment to continue to do what we have done time and time again---make the impossible possible---serving as the light of hope for Japan via our “spirit of challenge.”

Furthermore, in the run up to our next major milestone---Kawasaki’s 100th anniversary---I look forward to working with all of you as we strive to make “Most Successful and Happiest City, Kawasaki,” a city which is the pride and joy of all citizens.

I look forward to your continued warm-hearted support and dedicated cooperation.

Norihiko Fukuda
Mayor of Kawasaki

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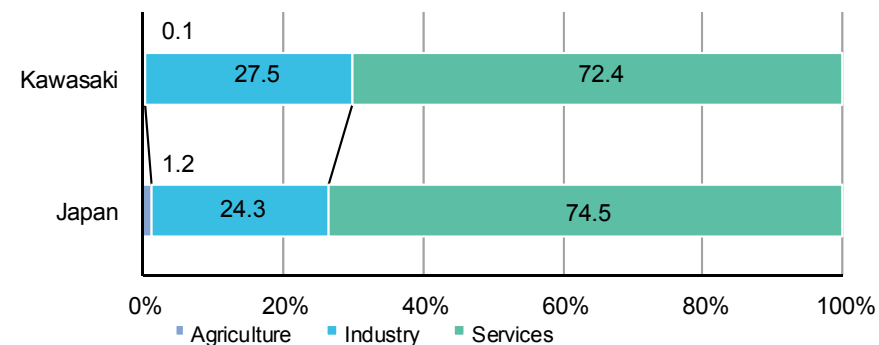
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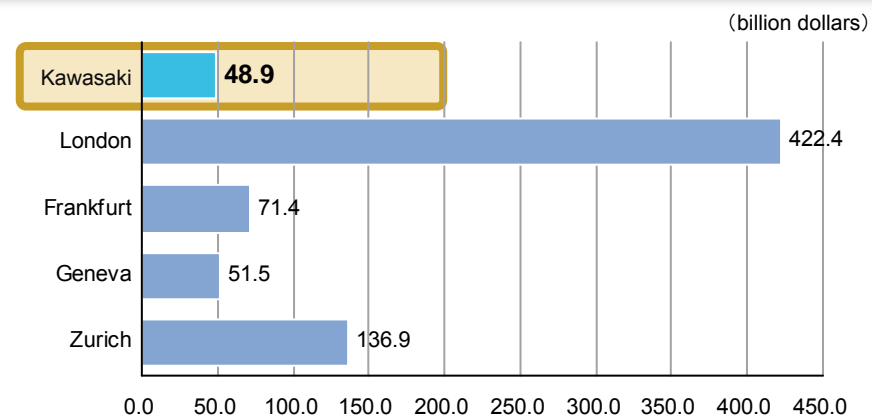
I . Overview of Kawasaki

	Kawasaki	Japan
Population	1,459,796 (08/01/2014)	127,130,000 (08/01/2014)
Population growth rate	3.7% (2009→2014)	△0.3% (2009→2014)
Average age	42.3 (10/01/2013)	44.9 (10/01/2010)
Working-age population	983,224 (68.6%) (10/01/2013)	79,000,000 (62.1%) (10/01/2013)
Area	144.35 km ²	377,929.99 km ²
GDP	48.9billion dollars (5.1trillion yen) (FY2011)	4.5trillion dollars (473trillion yen) (FY2011)
Major industries	Manufacturing (steel, electronics, telecommunications, precision machinery, petrochemical), information and service	
Developing industries	New manufacturing technologies, information and telecommunications, environment, welfare and life sciences, life culture	
Foreign residents	29,996 (2.1%) (06/30/2014)	2,066,445 (1.6%) (12/31/2012)
Foreign firms	115(83 headquarters :5th in Japan)	3,500

GDP breakdown by component



Nominal GDP



※ FY2011
Frankfurt, London (Eurostat)
Geneva, Zurich (Swiss Statistics)



1. Convenient access



Lots of railways and roads

- 90 minutes to Narita Airport, 14 minutes to Haneda Airport
- 19 minutes to Tokyo, 8 minutes to Yokohama

Extension and internationalization of Haneda Airport (from 10/21/2010)

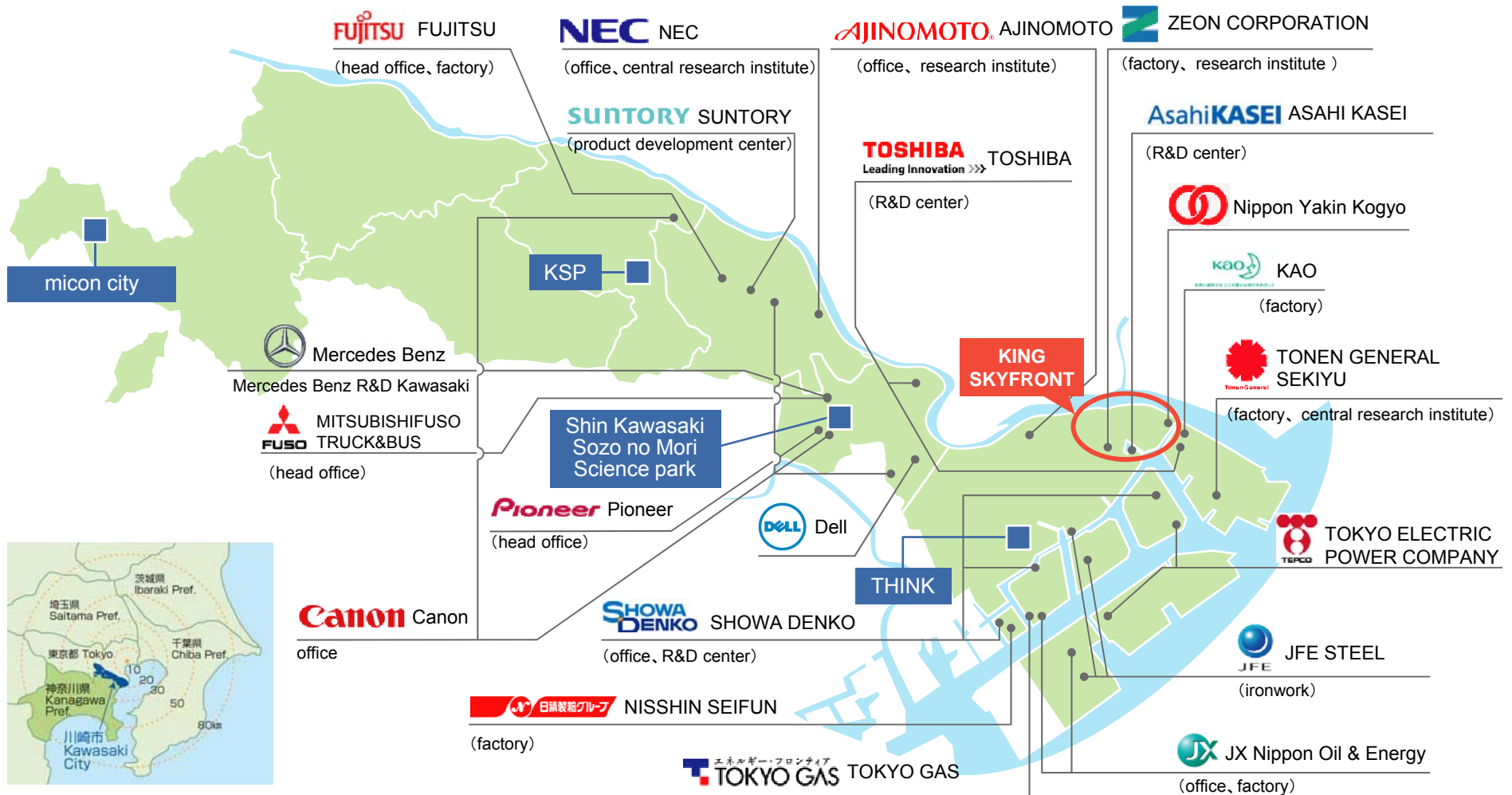
- Increase of capacity (1.4 times larger than now)
- Expand close-range Asian business air routes
- Go into service to European major cities by 24-hour operation
- Expansion of international freight
- Plan for KING SKYFRONT
(building a site for life innovation and environmental innovation which can make contribution to the world, Keihin Coastal Area Life innovation, designated as the International Strategic Comprehensive Special Zones)

Kawasaki ↔ Narita 90min
Kawasaki ↔ Haneda 14min



2. Top city for “industry and R&D”

Global companies and major R&D institutions





3. Life innovation

- To promote the realization of new industries through leading edge R&D in the life science and environmental industries, an international R&D zone is being formulated on the opposing shore of Haneda Airport. <KING SKYFRONT>
- Upgrading local manufacturing companies' base technologies, improving research and development capabilities, as well as promoting the collaboration between industries. <Shin-Kawasaki Sozo no Mori Science Park>



“Science”
2 August 2013

Shin-Kawasaki Sozo no Mori Science Park

Global Nano Micro Technology Business Incubation Center (NANOBIIC)


- Establishment of a large-scale clean room where a course of the procedure within the Nano Micro Field, of “Processing ~ Prototype ~ Measurement ~ Evaluation” can be conducted.
- A Nano Micro Fabrication Consortium of 4 Universities (Keio University, Waseda University, Tokyo Institute of Technology, the University of Tokyo) as well as a joint research project between the Tokyo University and IBM Japan are operating within the facility.



Research and development as well as the industrialization within the life science and environmental industries, based on Nano Micro technology


Life Science Industry

Dosage directly into the tumor cell



Environmental/Energy Industry

Double the energy efficiency of photovoltaic cells



KING SKYFRONT

Key facilities

- **Central Institute for Experimental Animals, Regenerative Medicines & New Drug Development Center**
- Kawasaki Life Science & Environmental Research Center (LiSE)
- Johnson & Johnson K.K. Kawasaki Science Center (operation to begin in 2014)
- National Institute of Health Sciences (construction to be completed after FY2016)

Keihin Coastal Area Life Innovation, designated as the International Strategic Comprehensive Special Zones

- Designated in December 2011
- Aiming for the realization of health related industries and innovative medicines/medical devices through development and production in regenerative medicines, cancer/lifestyle diseases, public sanitation/preventative medicine, etc.

Central Institute for Experimental Animals, Regenerative Medicines & New Drug Development Center

- The realization of state-of-the-art regenerative medical treatments utilizing iPS stem cells including the healing of spinal cord injuries and Alzheimer’s disease treatment



**NOG mouse/
humanized mouse**



Common marmoset



4. Environmental innovation

Promote virtuous cycle for environment and economy, achieve globally sustainable society



Sky of Kawasaki

The city was covered by smoke emitted from factories along the sea.



Significant improvement by measures taken together by firms, citizens and the administration

- Air Pollution Control Agreement
- Pollution Control Ordinance
- Established of Pollution Monitoring Center and the Research Institute for Environmental Protection



Sky of Kawasaki

Air condition has been improved by various measures.



Mega Solor

Built one of the largest mega-solar power plants in waterfront areas in collaboration with private company

- Ukisima(Operated in August 2011)
- Oogisima(Operated in December 2011)

Capacity 20,000kW (cover 5,900 households needs)



Kawasaki International Eco-Tech Fair 2013

- International business-matching opportunity
- Next exhibition will be held in February 2014.
- 157 groups, 237 booths, 4,500 participants (170 foreign participants from 14 countries/regions)



RPET REFINE TECHNOLOGY Co.,Ltd

Recycling factory producing resin for pet bottles by using old pet bottles



Implement of Smart City Strategy

In order to realize a sustainable society, Kawasaki City carries on Smart Strategy which lead to a low carbon emission with efficient use of energy, improvement of safety in case of emergency, also efficiency and quality of life.



5. Famous city for “art and culture”

Fujiko F. Fujio Museum



**Fujiko F. Fujio Museum,
Kawasaki**



- Opened September 3, 2011
- Visitor count surpassed 1 million as of August 28, 2013
 - ◆ Currently hosting a special “Famous Scenes from Doraemon” exhibition (2014)
- Various initiatives emanating from Kawasaki's new cultural focal points
 - ◆ Ticket sales launched in 9 countries
 - ◆ Hosting various seasonal events
 - ◆ Manga character monuments, signs, shuttle busses, etc.
 - ◆ Distribution of "Maps of Local Area Surrounding Museum" to visitors
 - ◆ Special guest tickets for citizens to commemorate Kawasaki's anniversary (Invited 2,000 citizens on July 1)



Kawasaki, the City of Music



**MUZA KAWASAKI
SYMPHONY HALL**



**Wiener
Philharmoniker**
(Nov. 2013 and
Sep. 2014)

Miraculous one week to enjoy the world's top three orchestras (November 2013)

- Wiener Philharmoniker
- Royal Concertgebouw Orchestra
- Berliner Philharmoniker



Montreux Jazz Festival, one of three major international jazz festivals, will be held in Kawasaki (for the 4th time) in Nov. 2014.

Kawasaki, City of Cinema



On-site filming

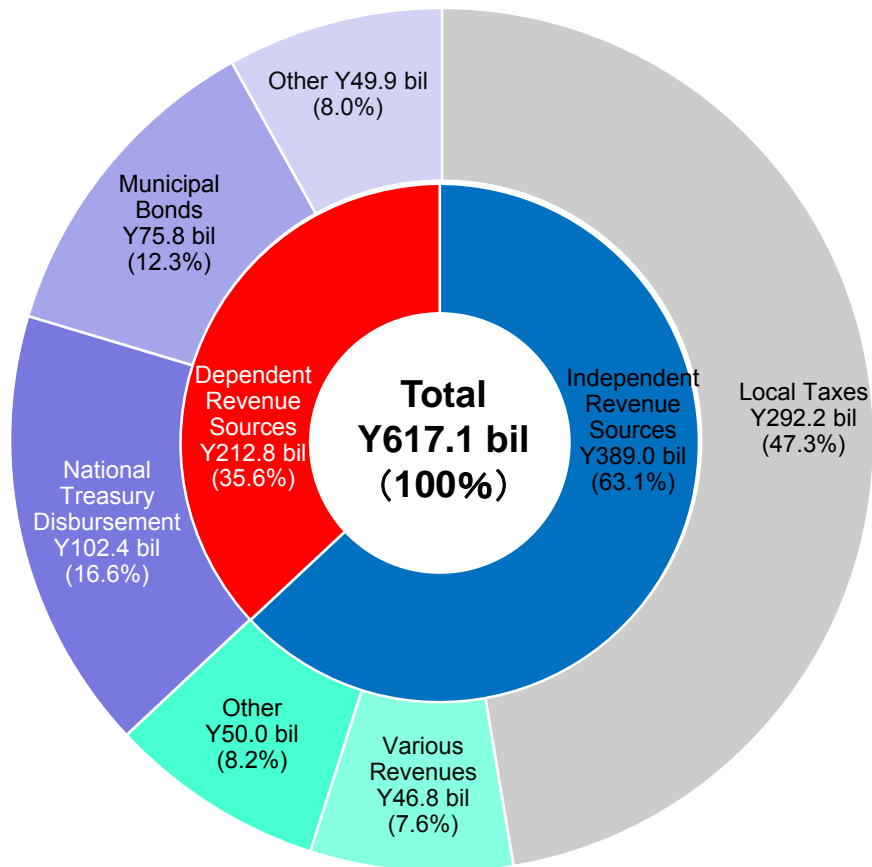
With its unique, long narrow terrain bordering the Tama River (offering a variety of diverse settings) and proximity to central metro areas, Kawasaki has become an ideal location for filming movies, such as "Space Brothers," "Rinjo" and TV dramas, such as "Doctor X" and "Case Closed."



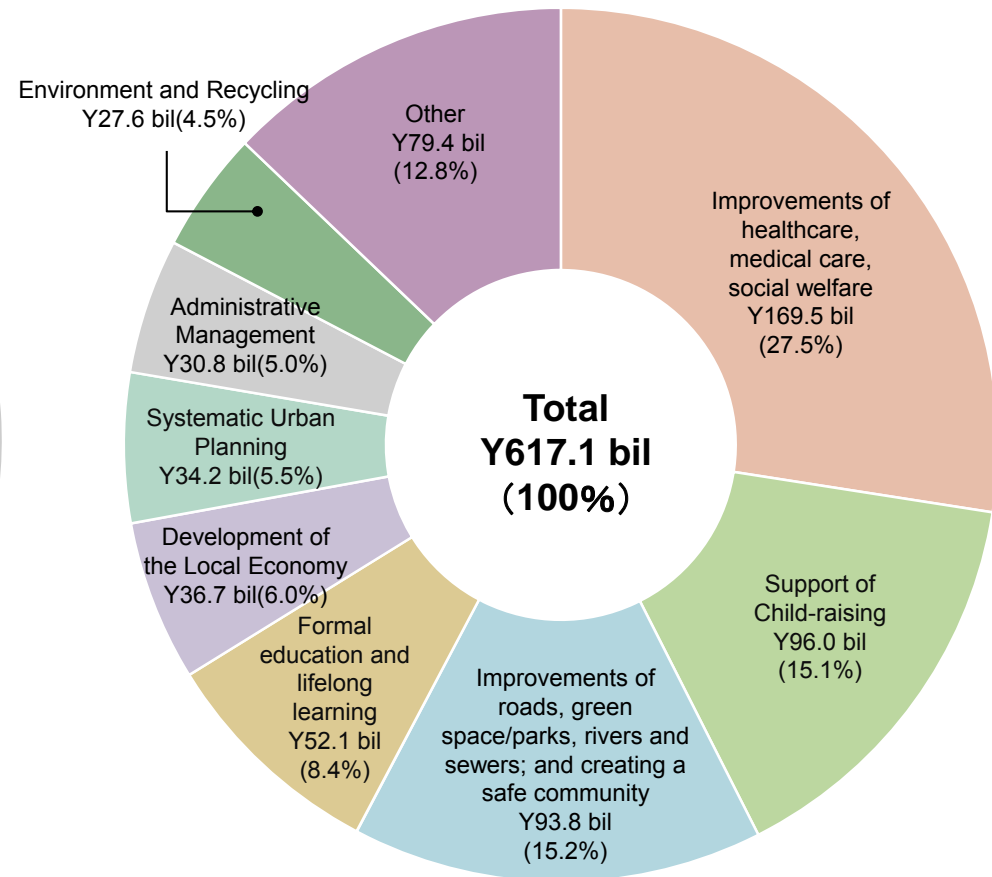
III. Financial Position of Kawasaki

Budget for the 2013 Fiscal Year

Revenues



Expenditures



Y617.1 bil = USD 5.886 bil

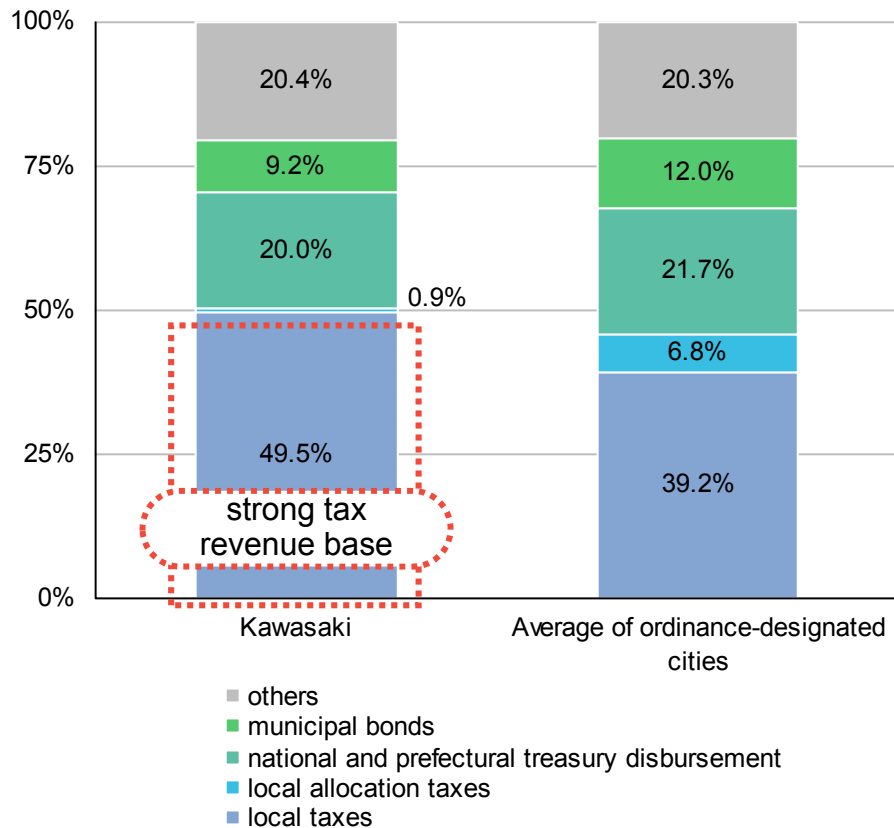
1 USD = Y104.847 (as of 4 Sep 2014)



III. Financial Position of Kawasaki

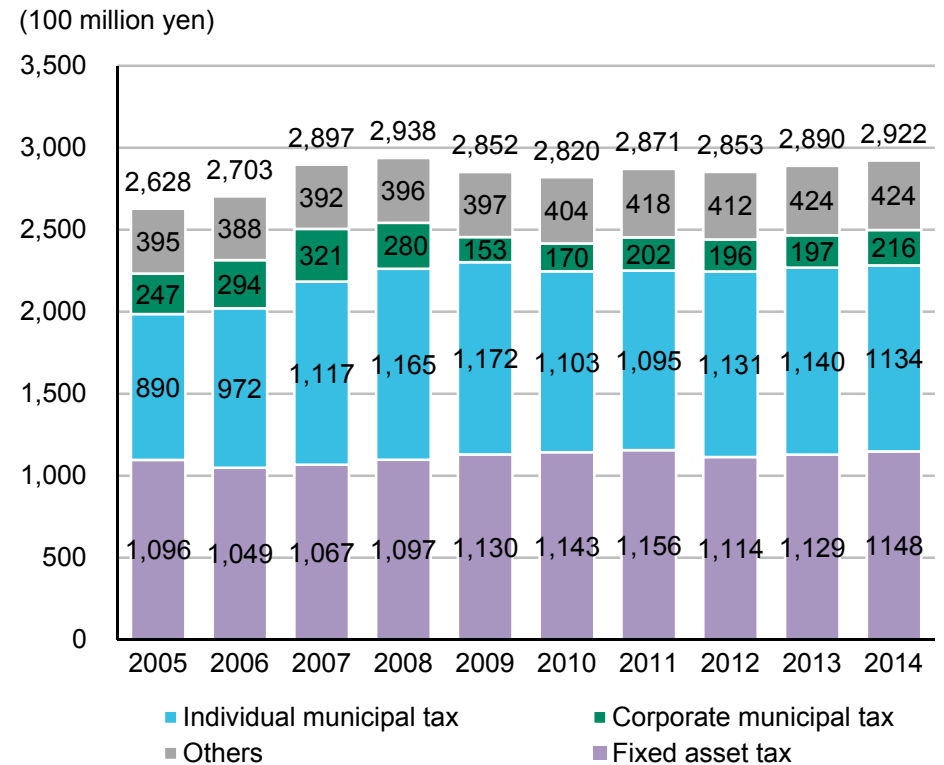
Revenue structure (general account)

Higher percentage of local taxes in Revenue



Analysis of Tax Revenue Structure

State of local taxes revenue



*Initial budget (FY2014)

*Comparison of designated cities based on the settlement of accounts (FY2013)



III. Financial Position of Kawasaki

Steady Efforts in Administrative and Financial Reform

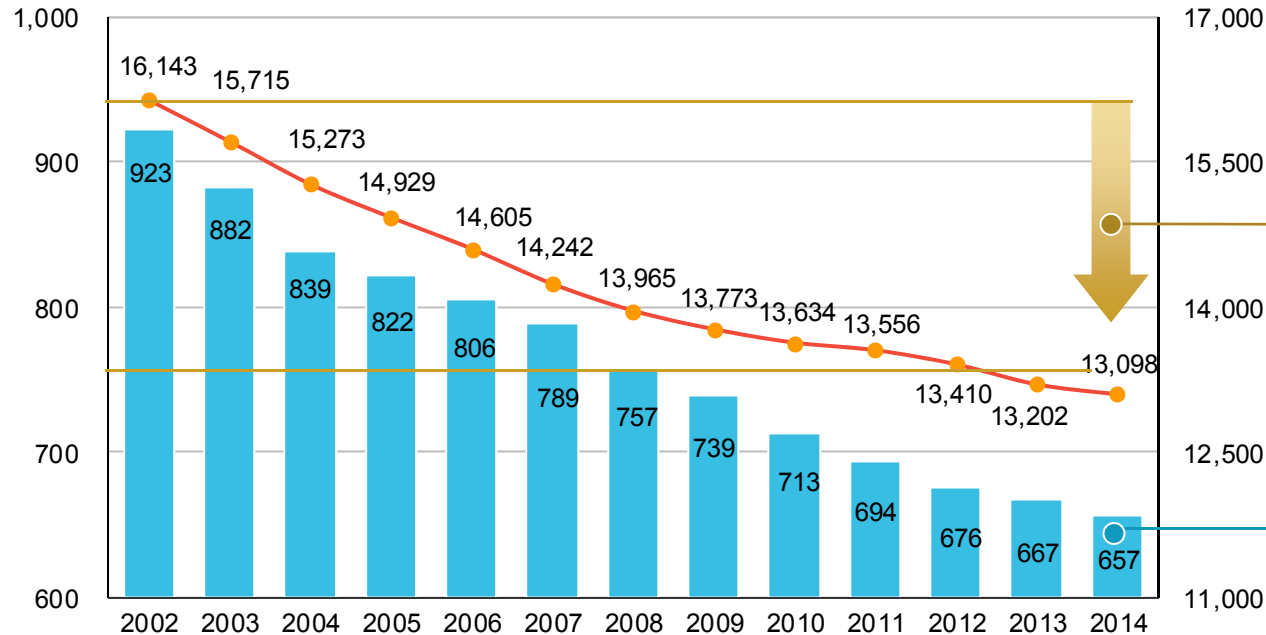
- Reform Programs related to financial and administrative operations (FY2014 – FY2015)
- New comprehensive plan, plan related to financial and administrative reform
To be established by FY2015

Accomplishments (FY2002 – FY2013)
 Successfully saved Y81.4 billion through continuous efforts such as 3,045 job cuts (~FY2013)

Changes in the number of staff members and compensation for staff

(Compensation for Staff in Y100 mil; bar chart)

(Number of Staff Members; line chart)



Number of Staff Members
 Down 18.9% or 3,045 employees vs. FY2002

Compensation for Staff
 Down 28.8% or Y26.6 billion vs. FY2002

Number of staff members as of 1 April each fiscal year



IV. Kawasaki City Bonds

FY2014 Kawasaki City Bonds Issue Plan

- Of 179.9 billion yen of all accounts, private funds are 149.4 billion yen (83.0%)
- The amount of public offering bonds is 104 billion yen (57.8%), of which the amount of Kawasaki individual bonds is 78 billion yen (43.4%)

※ Actuals up to 2014/10 (billion yen)

Category	Term (year)	Sum	2014										2015			Spot	TBD	
			4	5	6	7	8	9	10	11	12	1	2	3				
Public offering bonds	Individual public offering bonds	Nationwide market	5	28	7			7			7				7			
		public offering municipal bonds	10	10									10					
	Joint municipal bond	Super long	30	10				10										10
		Flex (mid to long term)	10	10														10
		10	26		5	5		4	3		5			4				
Total			104															

Use of Kawasaki City Bonds



Build bridges



Redevelop station piazzas



Renovate hospitals

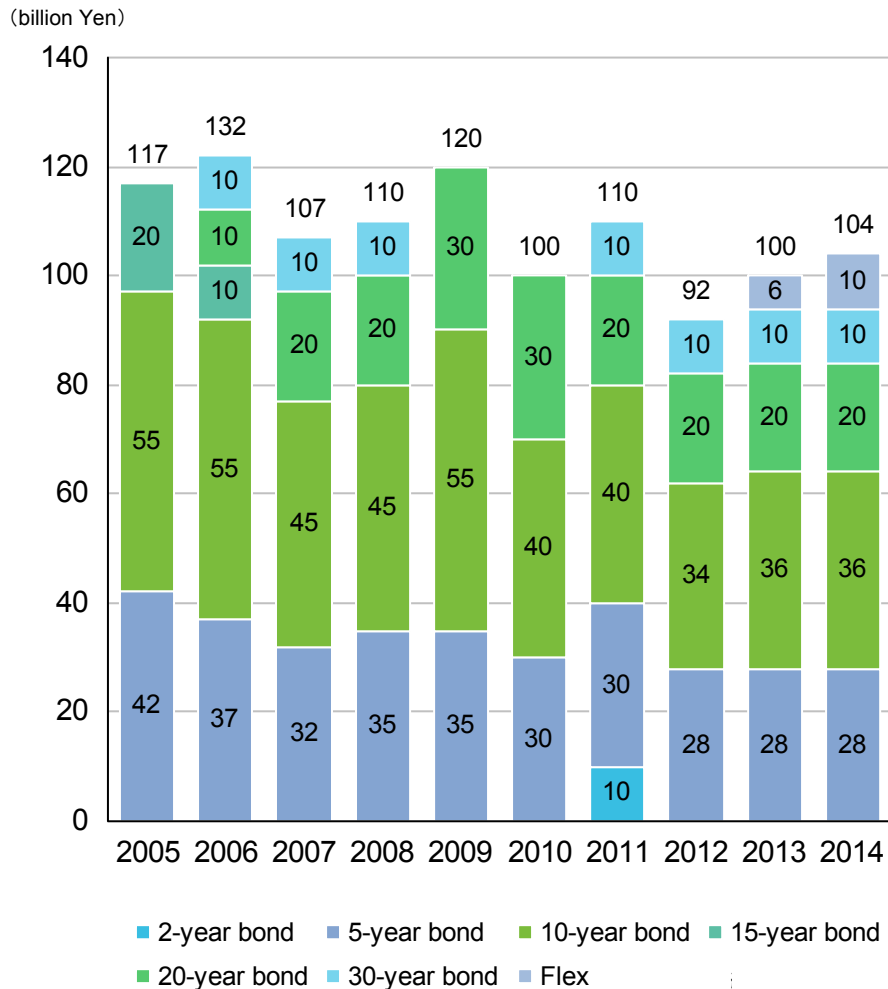


Purchase hook and ladder trucks



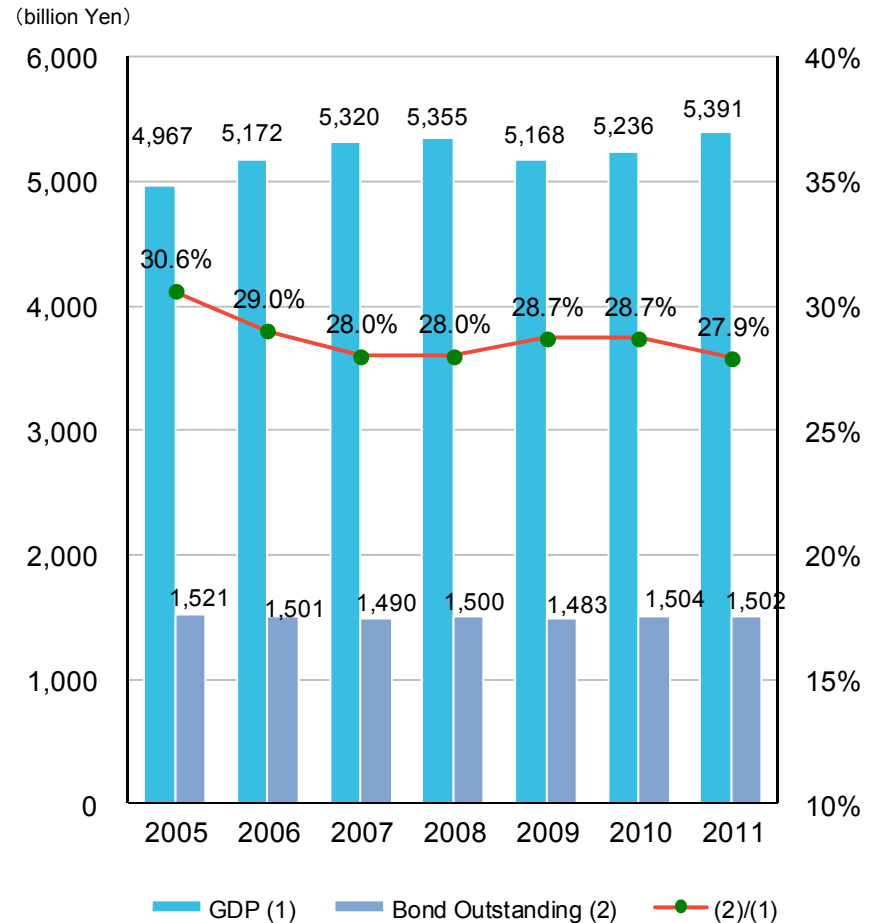
IV. Kawasaki City Bonds

Total amounts of Kawasaki City's public offering bonds issued



Bond Outstanding vs GDP

Bond Outstanding vs GDP is 27.9% (FY2011)



* Bond Outstanding includes all accounts



IV. Kawasaki City Bonds

Risk Weights under BIS Standard

JGB	Government Guaranteed Bonds	Kawasaki City Bonds	FILP Agency Bonds (no guarantee)	Straight Bonds rating AA- and over
0%	0%	0%	10%	20%

Kawasaki City Investor Relations Website

Please visit our website for bonds issue plan and track records.

<http://www.city.kawasaki.jp/en/category/132-4-0-0-0-0-0-0-0.html>

Rating prospects

Moody's is highly likely to assign Aa rating to City of Kawasaki (should the city be assigned such rating)

(In October 2006, Moody's, 'Application of JDA methodology to Japanese prefectures and major cities puts their prospective ratings in Aa category')

Tax-Exempt Measures for Non-Residents

- A nonresident or a foreign corporation who satisfies the specific requirements may receive interest on book-entry transfer municipal bonds exempted from income tax.
- Starting from June 2010, tax-exemption procedures for the interest payments on book-entry transfer municipal bonds received by nonresidents, etc., has been simplified and the scope of tax-exempt qualified person has been widened.

For further details, please visit the website of Japan Bond Association

Tax Exemption Scheme (J – BIEM)

<http://www.chihousai.or.jp/english/08/index.html>



V. Appendix

1

International Contribution with World-Class Technologies

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- Promotes Showcasing of Environmental Technologies in All Over Kawasaki City
- Promotion of Water-related Business through “Kawasaki Water Business Network”

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Financial Data

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- Analysis of Annual Expenditure Structure
- Primary Balance
- State of the Ratio for Determining Soundness and the Financial Shortfall Ratio
- Balance Sheets Consolidated with Affiliated Entities

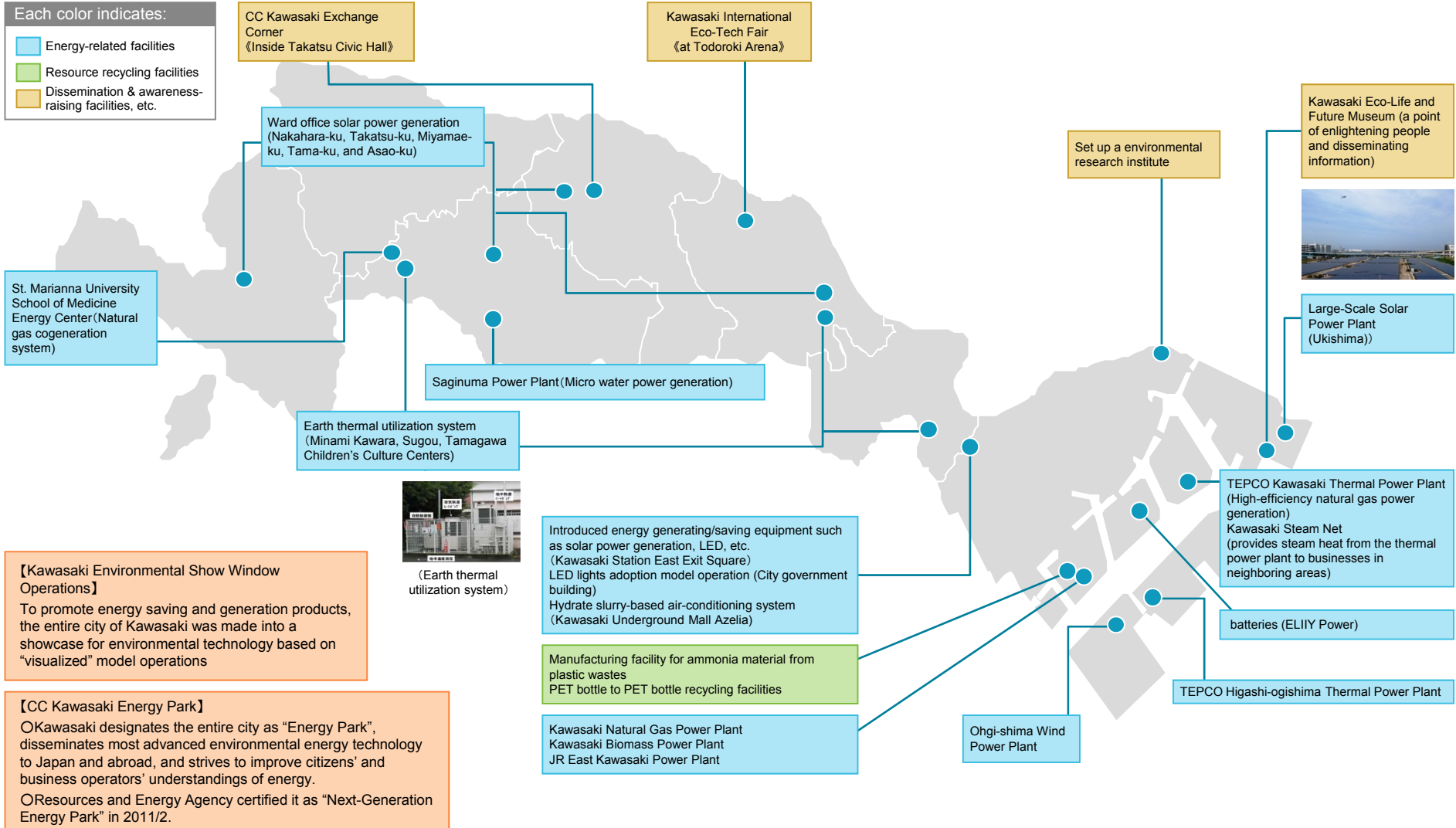


1. International Contribution with World-Class Technologies

Shopping streets which adopted Eco-Friendly Project: 24 groups including «Kitatani-cho Store Association (Kitatani-cho, Nakahara-ku)» and «Noborito Higashi-dori Store Association (Noborito, Tama-ku)



Promotes Showcasing of Environmental Technologies in All Over Kawasaki City



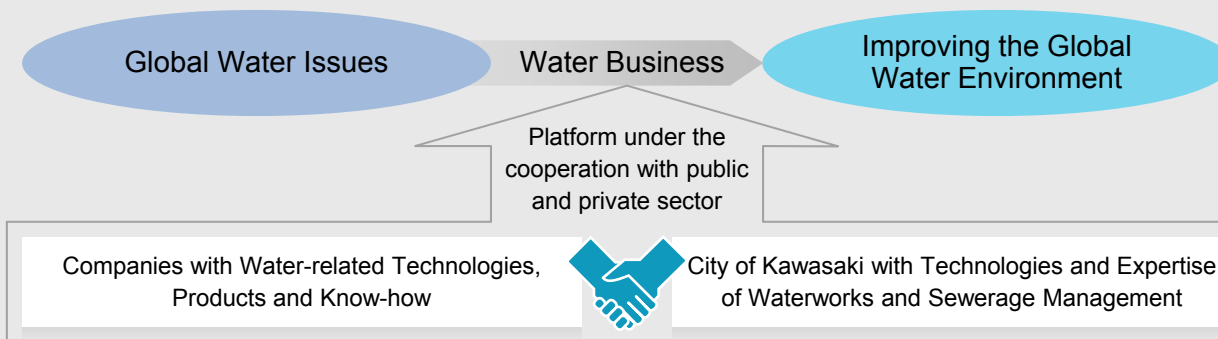


1. International Contribution with World-Class Technologies

Promotion of Water-related Business through “Kawasaki Water Business Network”

Kawasaki City established a platform “Kawasaki Water Business Network” in Aug. 2012 for improving the global water environment through water-related business under the cooperation between the public and private sectors

KaWaBiz NET



Activities of “Kawasaki Water Business Network”

Government-private sector joint survey of the needs in Queensland, Australia



Exchange of opinion for business cooperation in Shenyang City, China



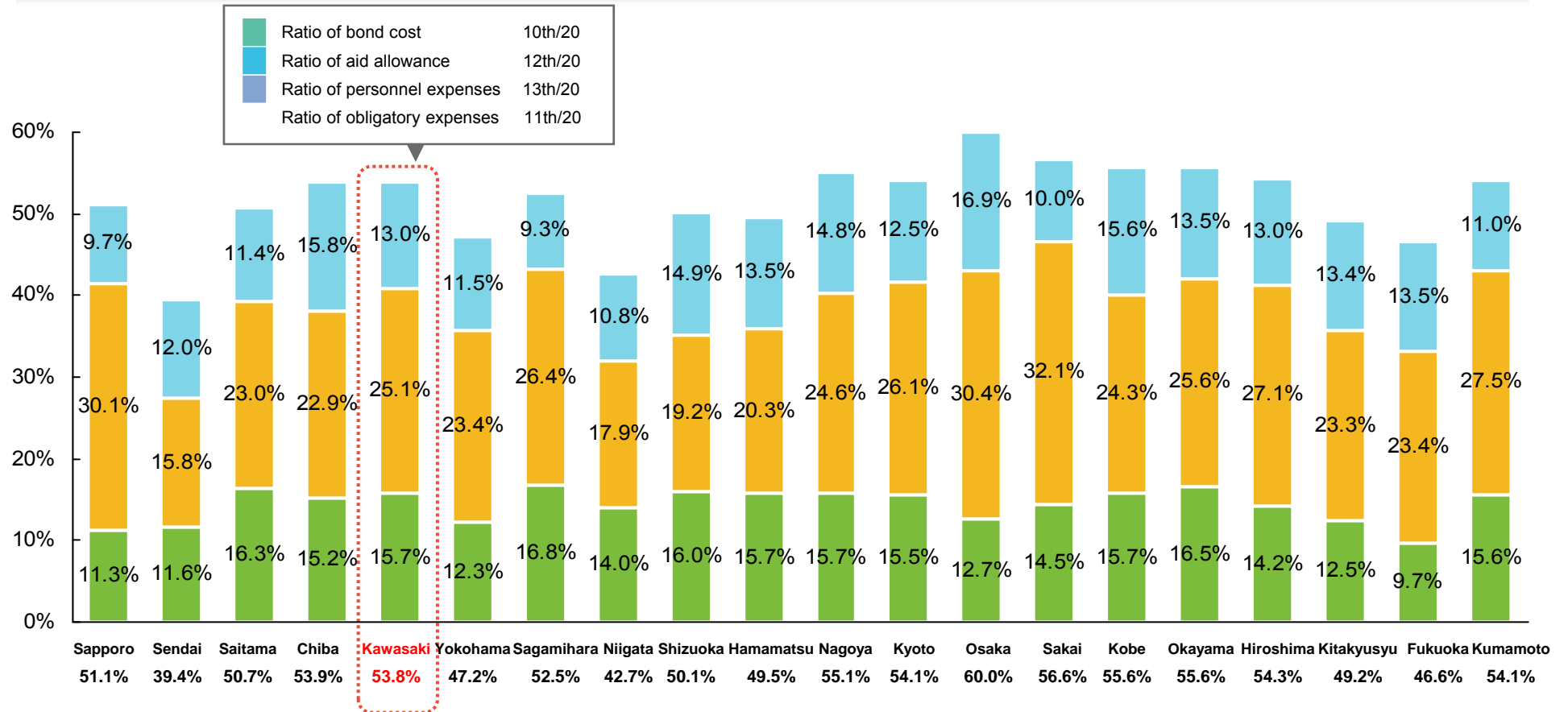
Holding the seminar related to water business





2. Financial Data

Analysis of Annual Expenditure Structure (ordinary account)



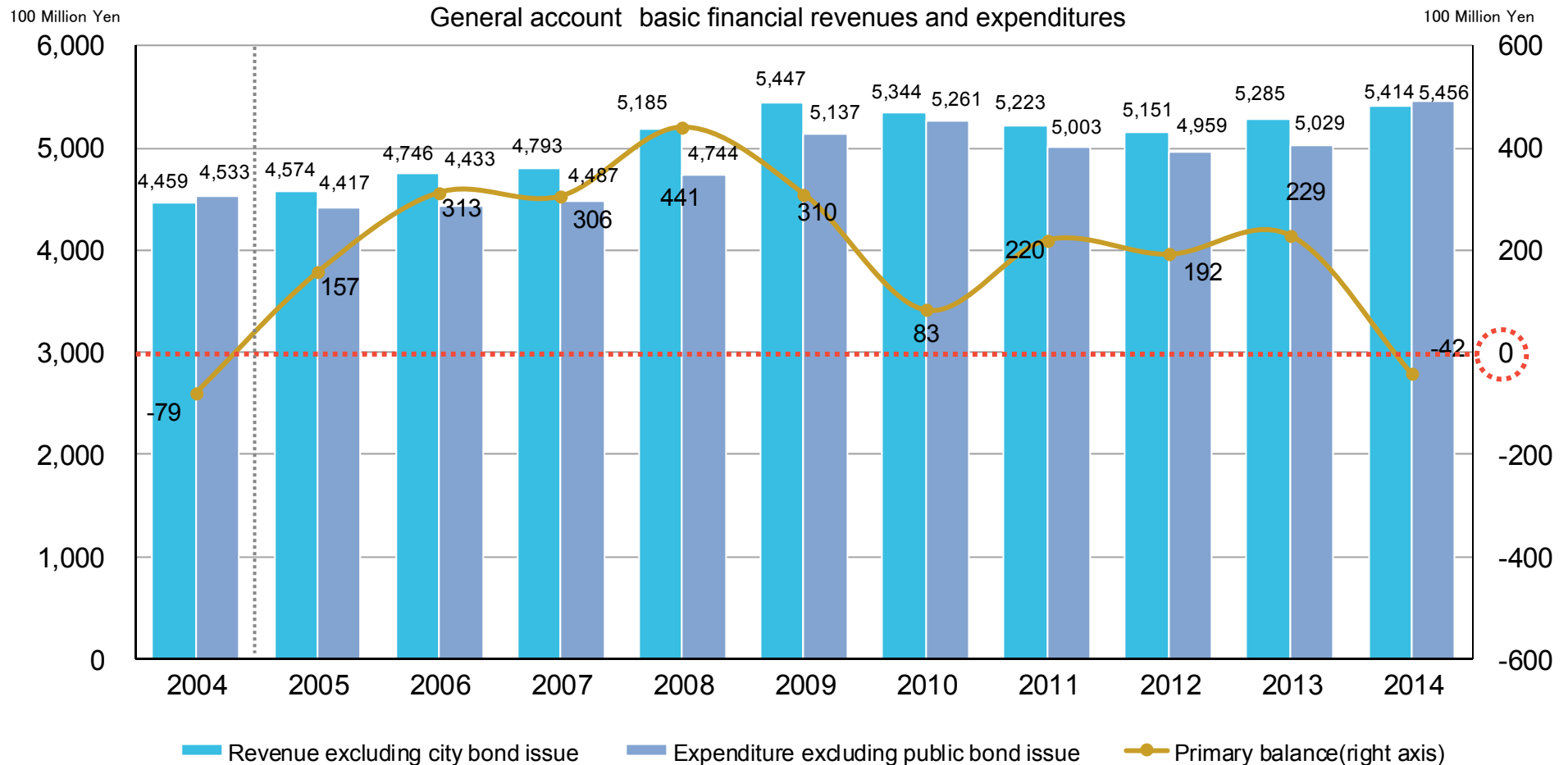
*Ordinance-designated cities (FY2013)



2. Financial Data

Primary Balance

The primary balance, which had remained positive since FY05 until it dipped into negative territory in FY14, is forecast to return to positive territory from FY15 onward



*Initial budget (2014)



2. Financial Data

State of the Ratio for Determining Soundness and the Financial Shortfall Ratio

- The Local Government Financial Soundness Law stipulates that the following ratios are used to gauge the fiscal health of local governments. (1) Real deficit ratio (2) Consolidated real deficit ratio (3) Real debt service ratio (4) Future burden ratio
- Also, the (5) Financial shortfall ratio was established for assessing fiscal health of public enterprises.
- The local government must draft a financial health improvement plan if any ratios exceed the early financial soundness criterion and a financial recovery plan must be drafted if any ratios exceed Financial Rebuilding Criterion.

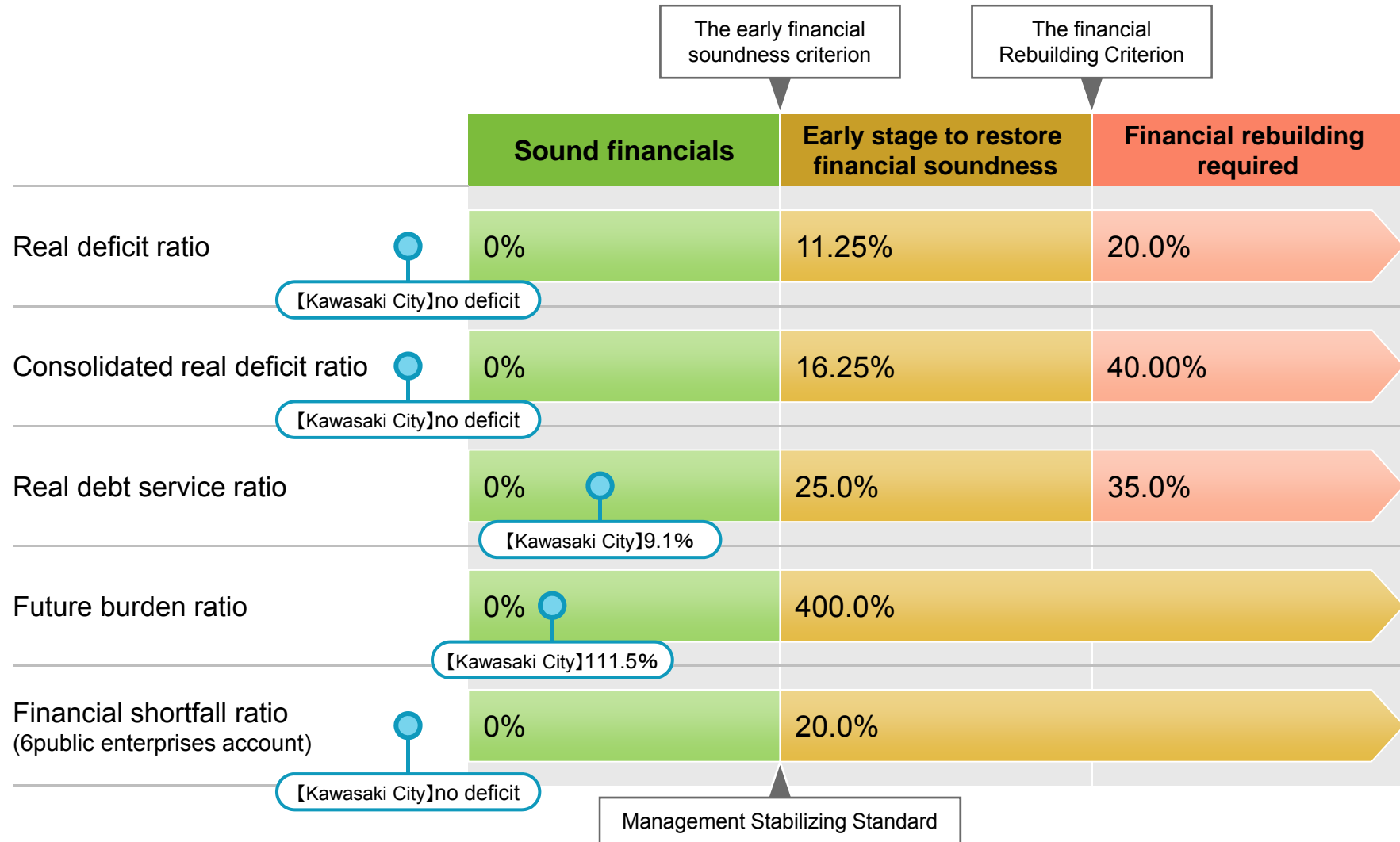
Fiscal Health Assessment		FY2013	FY2012	The early financial soundness criterion	The financial Rebuilding Criterion
1	Real deficit ratio	—%	—%	11.25%	20.00%
2	Consolidated real deficit ratio	—%	—%	16.25%	40.00%
3	Real debt service ratio	9.1%	10.1%	25.0%	35.0%
4	Future burden ratio	111.5%	106.3%	400.0%	
Capital shortfall ratio		FY2013	FY2012	Management Stabilizing Standard	
5	Financial shortfall ratio (6public enterprises account)	All public enterprises have no capital shortfall.	All public enterprises have no capital shortfall.	20%	

- **Kawasaki City does not have any real deficits in general or public project accounts.**
- **Fiscal conditions are sound, as it is within the real debt service ratio and the future burden ratio under the early financial soundness criterion.**



2. Financial Data

State of the Ratio for Determining Soundness and the Financial Shortfall Ratio (FY2013)





2. Financial Data

Balance Sheets Consolidated with Affiliated Entities (as of March 31, 2013)

(100 million yen)			(100 million yen)			(100 million yen)		
Assets	Financial	1. Capital	467	Assets	Liabilities	Current liabilities	1. Municipal bonds (short-term)	1,167
		2. Account receivables	534				2. Others	605
		3. Securities	47		Current liabilities total		1,772	
		4. Others	2,511		Non-current liabilities		1. Municipal bonds (long-term)	13,854
		Total financial assets					3,559	2. Provisions
	Total financial assets		3,559			3. Others	641	
	Non-financial	1. Operating assets	15,691		Non-current liabilities total		15,433	
		2. Non-operating assets	35,766		Total liabilities		17,205	
		3. Others	0					
		Non-financial assets total			51,457			
Total assets		55,016	Net assets		37,811			
						Total net assets		
						(100 million yen)		
						37,811		

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HP **English Website**
<http://www.city.kawasaki.jp/en/index.html>

Kawasaki City Investor Relations (IR)
<http://www.city.kawasaki.jp/shisei/category/47-4-1-0-0-0-0-0-0-0.html>

The purpose of this material is to explain the financial conditions of City of Kawasaki to investors who are considering the purchase of Kawasaki municipal bonds. The intent is not to sell a particular bond or to solicit buyers.



Look of Kawasaki from Tokyo bay (Kawasaki on the left, Tama River in the middle, Tokyo on the right)